

Message Text

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ORIGIN ARA-10

INFO OCT-01 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00

EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 ITC-01

TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 SEC-01 FEA-01

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DRAFTED BY ARA/AND:LLEVINE:NG

APPROVED BY ARA/AND:CFULLER

ARA/ECP:DTAHER

L:FARMSTRONG

EB/OIA:ECONSTABLE (INFO)

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R 012210Z NOV 76

FM SECSTATE WASHDC

TO AMEMBASSY LIMA

C O N F I D E N T I A L STATE 268759

E.O. 11652: GDS

TAGS: ETRD, PE

SUBJECT: POSSIBLE ILLICIT PAYMENT BY UNIROYAL

1. SUMMARY - ACCORDING TO ATTORNEYS FOR UNIROYAL, FIRM WON CONTRACT TO SUPPLY PORTABLE RUBBER FUEL TANKS TO PERUVIAN AIR FORCE, SUPPOSEDLY ON PROMISE OF \$50,000 ILLICIT PAYMENT TO PERUVIAN AIR FORCE OFFICER. UNIROYAL NOW HAS SECOND THOUGHTS ABOUT COMPLETING SALE AND IS TRYING TO VOID CONTRACT BUT IS BEING ACCUSED BY GOP OF TRYING TO "SABOTAGE" SUPPLY TO THEIR ARMED FORCES. END SUMMARY

2. ON OCTOBER 28, AT SUGGESTION OF SEC ENFORCEMENT DIVISION ATTORNEYS MYRON KALISH AND GREGORY CHEPLIN, REPRESENTING
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UNIROYAL, VISITED DEPT'S LEGAL ADVISER AND WERE REFERRED

TO ARA/AND. IN CONVERSATION WITH PERU DESK (LEVINE) THEY DESCRIBED THE FOLLOWING SITUATION.

3. IN 1974 UNIROYAL'S PERUVIAN AGENT (SR. MOSCOSO OF RESERTEC INC.) BEGAN ATTEMPTS TO GET CONTRACT TO SUPPLY \$1 MILLION WORTH OF PORTABLE RUBBER FUEL TANKS TO PERUVIAN AIR FORCE. AGENT SUPPOSEDLY ARRANGED WITH AN UNNAMED PERUVIAN AIR FORCE COLONEL TO DRAFT BID SPECIFICATIONS TO MATCH UNIROYAL'S PRODUCT IN EXCHANGE FOR 5 OF THE TRANSACTION. LATTER WOULD BE PAID BY AGENT, WHOSE

COMMISSION WOULD BE INCREASED 5 PERCENT SO UNIROYAL WOULD NO HAVE TO MAKE DIRECT PAYMENT. IT IS UNCLEAR WHO INSTIGATED THIS ARRANGEMENT.

4. IN BIDDING, UNIROYAL AWARDED CONTRACT OF \$1 MILLION. NEAREST COMPETITOR WAS DUNLOP OF UK, WHO BID TO SUPPLY TANKS FOR \$1.6 MILLION.

5. IN THE FACE OF CURRENT SEC INVESTIGATION AND OUT OF DESIRE TO AVOID BAD PUBLIC RELATIONS EFFECT OF DISCLOSURE, UNIROYAL RECENTLY ATTEMPTED TO BREAK THE CONTRACT LEGALLY THROUGH A LETTER OF CREDIT TECHNICALITY. THEY WERE UNSUCCESSFUL AND THE GOP NOW INSISTS THAT DELIVERY BE MADE ACCORDING TO THE CONTRACT. GOP IS ANXIOUS TO RECEIVE DELIVERY.

6. MORNING OF OCT 29, UNIROYAL CHAIRMAN OF BOARD RECEIVED A TELEGRAM FROM AIR MINISTRY ASKING WHY THE DELAY. LAST WEEK, EXPORT MANAGER IN FORT LAUDERDALE WAS ACCUSED TELEPHONICALLY BY OFFICIAL OF AIR MINISTRY OF ATTEMPTING TO "SABOTAGE" PERUVIAN ARMED FORCES, IN DELAYING FULFILLMENT OF CONTRACT.

7. AT SEC SUGGESTION, UNIROYAL IS CONSIDERING INFORMAL APPROACH TO GOP IN WHICH THEY WOULD PRESENT HYPOTHETICAL CASE OF A COMPANY WHO OBTAINED A SUPPLY CONTRACT BY PROMISING TO MAKE AN ILLICIT PAYMENT. IF THAT COMPANY ADMITTED THIS PRIOR TO DELIVERY, WOULD THE GOP WANT TO CANCEL THE CONTRACT? THIS WAY, UNIROYAL MAY BE ABLE TO

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CANCEL CONTRACT BUT FEARS JEOPARDIZING SAFETY OF AGENT AND THE PAF COLONEL INVOLVED.

8. UNIROYAL HAS ALREADY NOTIFIED AGENT THAT IT IS UNABLE TO PAY EXTRA 5 PERCENT DESIRED AS ILLICIT PAYMENT. WHAT MOST CONCERNS UNIROYAL IS GOP REACTION TO REVELATION THAT THEY MAY HAVE ENTERED INTO THIS CONTRACT WITHOUT REALIZING THAT BIDDING WAS FIXED. WE SAY "MAY" BECAUSE UNIROYAL

MANAGEMENT NOT CERTAIN TO WHAT DEGREE PAF COLONEL INFLUENCED CONTRACT. KALISH INDICATED REMOTE POSSIBILITY EXISTS THAT AGENT AND UNIROYAL REP INVENTED STORY TO OBTAIN EXTRA COMMISSION FOR THEMSELVES. THEREFORE UNIROYAL RELUCTANT TO TELL ALL TO A SCANDAL-SENSITIVE GOP.

9. FOREGOING IS PROVIDED FOR EMBASSY INFORMATION AND ANY COMMENT. SINCE UNIROYAL HAS NOT YET DECIDED WHICH WAY TO GO, THEY REQUEST THAT WE NOT INITIATE DISCUSSIONS WITH GOP OFFICIALS. FURTHER GUIDANCE WILL FOLLOW AS APPROPRIATE. KISSINGER

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